MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BME1024 – INTRODUCTORY MACROECONOMICS

(All sections / Groups)

5 MARCH 2016
2.30 pm- 4.30 pm
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 2 pages with 4 Questions only.
2. Attempt **ALL** the questions.
3. Please write your answer in the answer Booklet provided.

QUESTION 1

(a) If Malaysia real GDP growth rate is expected to increase two times in 14 and 17 years, what is Malaysia's GDP growth rates supposed to be? (6 marks)

(b) Consider the following data namely Y=10 billion US dollars, C= 7 billion US dollars, G= 2 billion US dollars, government budget = 0.
Calculate the
i. Public saving.
ii. Private saving
iii. Investment spending. (9 marks)

c) Briefly discuss the effect of expectation of future inflation on the unemployment rate in the economy. (10 marks)

(Total 25 marks)

QUESTION 2

(a) Explain the four categories of expenditures which comprise GDP. (10 marks)

(b) The following data represents the situation in a hypothetical economy which uses Year 1 as the base year.

Year	Nominal income	CPI
1	RM50,000	100
2	60,000	110
3	70,000	115
4	80,000	120

i. Find the real income from Year 2 to Year 4. (6 marks)

ii. Determine the inflation rate from Year 2 to Year 4. (6 marks)

iii. Explain the relationship between the inflation and the real income. (3 marks)

(Total 25 marks)

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QUESTION 3

(a) Explain the multiplier effect on aggregate demand when the government increases its purchases, for instance by $10 billion. (12 marks)

(b) Briefly explain Federal Reserve's three instruments of monetary policy. (13 marks)

(Total 25 marks)

QUESTION 4

(a) What is the meaning of the balance of payments and why it is important to examine a country's balance of payments data? (10 marks)

(b) Suppose that you work for a car company. Because the firm has an office in France, you are asked to move there and work for a two-year period. Your employer gives you the option to receive pay either in dollars or in euros. Which payment option is better for you? What factors should affect your decision? (15 marks)

(Total 25 marks)

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